BC Timber Sales

ANNUAL PERFORMANCE REPORT

April 1, 2014 – March 31, 2015

BRITISH COLUMBIA

Ministry of
Forests, Lands and
Natural Resource Operations

BCTS
BC Timber Sales

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HIGHLIGHTS OF THE YEAR

- Achieved our goal to provide credible representative price and cost benchmark data for the Market Pricing System through auctions of public timber despite the challenges resulting from the fire season and other significant operational issues.
- Sold 13.1 million cubic metres of timber.
- Exceeded our Net Revenue target for the year by $37.6 million.
- 100% of our operational area certified under a Sustainable Forest Management system.
- Provided 29.4 million seedlings for the Forests for Tomorrow program and Districts.
- Planted 35.3 million seedlings to address our silviculture obligations.
- Maintained our SAFE Company certification.
- Conducted 34 Lean Continuous Improvement workshops eliminating 240 non-value added processes.

ORGANIZATIONAL OVERVIEW

BC Timber Sales is a semi-autonomous program within the Ministry of Forests, Lands and Natural Resource Operations with financial and operational independence. BC Timber Sales has an integral role in supporting the Forest Sector Strategy in the BC Jobs Plan. BC Timber Sales' operations support the Ministry's goals and objectives including; the four key pillars, the goal of a "productive, thriving natural resource sector and resilient communities", and the objective of optimizing the "economic benefits of natural resource development.

BC Timber Sales provides these benefits by planning, developing, and selling through auction, a substantial and representative portion of the province's annual available timber volume. The bid prices received from auctioned timber drive the Market Pricing System (MPS) for setting stumpage in both the coastal and interior operating areas of the Province. BC Timber Sales costs of developing timber and regenerating sites also provide data for the Tenure Obligation Adjustment, which contributes another integral part of the MPS.

Despite its operational and financial independence, BC Timber Sales maintains mutually productive and beneficial relations with the Ministry of Forests, Lands and Natural Resource Operations.

Since 2003 BC Timber Sales has sold over 128 million cubic metres of timber through completive auctions in rural forest economies. The development, auction, harvesting and processing of this timber has helped create and sustain over 8,000 direct and 11,000 indirect jobs. These jobs have supported families and rural communities over the last eleven years and continue to do so.

REPORT ON PERFORMANCE

BC Timber Sales has one business goal:

To provide credible representative price and cost *benchmark data for the Market Pricing System through auctions of timber harvested from public land in British Columbia*

Objectives:

1) Sell the full BCTS apportionment over the business cycle, consistent with safe practices and sustainable forest management.
2) Generate direct net revenue and indirect Provincial Government revenue over the business cycle.
3) Continuous business improvement.

We measure our success in achieving our business goal through three key outcome indicators.

Table 1 – BC Timber Sales Key Outcome Indicators

BCTS Key Outcome Indicators		Results
BCTS auction volume as a percent of projected provincial harvest volume	⇨	A
Percent of total apportioned timber volume sold over the 5 year business cycle.	⇨	O
Direct Net Revenue earned	⇨	O

A = Achieved target
O = Over achieved target
S = substantially achieved target
U = under achieved target
N/A = Not Applicable

REPORT ON PERFORMANCE

In fiscal year 2014/15, BC Timber Sales had 21 strategies and measures that supported the achievement of its goal, objectives, and principles. The table below provides a synopsis of our performance for fiscal year 2014/15.

Overarching Goal/Objectives/Principles	BCTS Key Strategies	Measures	Result
Goal: Provide credible representative price and cost benchmark data for the Market Pricing System through auctions of timber harvest from public land in British Columbia			
	Through competitive auctions sell sufficient timber to support the Market Pricing System	Timber Volume Sold	S
	Implement a Data Quality Management System…	DQMS applied	A
	Monitor BCTS timber volume sold by major MPS attributes….	Percent of BCTS auction volume harvested compared to that of Major Licensees (for each significant species and grade)	A
Objective: Sell the full BC Timber Sales apportionment over the business cycle, consistent with safe practices & sustainable forest management.			
	Sell timber sales	Timber volume sold	A
	Develop sufficient timber…	Annual Timber Volume Developed	U
	Plan sufficient volume….	Ready to Develop Volume	O
	Identify sufficient volume…	Amount of volume identified …	U
	Auction a reliable supply of timber	Percent of timber volume advertised in the quarter planned	U
Objective: Generate direct net revenue and indirect revenue for the Province over the business cycle			
	Generate indirect government revenue	Indirect revenue Generated	U
	Manage cost of Developed Timber	Cost of developed timber per m3	U
	Manage Cost of Access	Cost of access per m3 sold	A
	Manage cost of silviculture obligations	TBD	NA

REPORT ON PERFORMANCE

Objective: Continuous business improvement		
Embrace a Lean culture	Number of Tasks (Waste) eliminated from Processes	U
Increase efforts to achieve business to business partnerships...	Incremental timber volume sold, managed under a business to business agreement	U
Pursue excellence in people	NA	NA
Pursue excellence in operations...	Number of continuous improvement-Lean projects	O

Principle: Sustainable Forest Management		
Maintain ISO 14001 EMS, and SFM certifications	Percent of timber volume certified under a SFM system	A
Deliver on stewardship obligations	Major Non-conformances, number of trees planted and km of road deactivated	S
Use our economies of scale...in support of productive future forests	NSR planted, seedlings grown, fish passage	U

Principle: Forest Sector Safety		
BCTS safe practices supported by maintaining SAFE Company Certification	Maintain SAFE Company Certification	A
Promote safe work sites....	Percent of parties working ...that are SAFE Certified	A

A = Achieved target
O = Over achieved target
S = substantially achieved target
U = under achieved target
N/A = Not Applicable

Goal

Provide credible representative price and cost benchmark data for the Market Pricing System through auctions of timber harvested from public land in British Columbia.

Creating a globally competitive, market-based operating climate is a key aspect of the Forest Sector Strategy in the BC Jobs Plan. BC Timber Sales directly supports a market-based operating climate by providing credible data for costs and pricing of timber harvested from public land in BC. Through the achievement of this goal BC Timber Sales also contributes to the achievement of the Ministry's Service Plan objective to "Generate revenue from B.C.'s natural resources."

The Role & Effectiveness Review recommended, and Cabinet approved, a strengthening of the role of BC Timber Sales. As a result, supporting the Ministry's Market Pricing System has become the only goal of BC Timber Sales. All other activities now support the achievement of this overarching goal.

For BC Timber Sales data to be credible and representative, it is important for the volume of BC Timber Sales market transactions to be at a level sufficient to support the Market Pricing System (MPS). It is also important that the volume of market transactions not be so large in relation to the total market to adversely influence the MPS. BC Timber Sales tracks the timber volume it auctions and sells as a percent of the total timber volume projected to be harvested each year. This is a good indicator of its success in developing and auctioning a sufficient and appropriate volume of timber, which is necessary to establish credible representative benchmark cost and pricing data within an environment of changing market conditions and demand.

Results

Key Outcome Indicator	2014/15 Target	2014/15 Performance	
BCTS Auction volume as a percent of projected provincial harvest volume	**22.3%**	**22.1%**	**Achieved**

Measure Description: *BC Timber Sales timber volume auctioned (Section 20 Timber Sales Licences) in the year as a percent of the total projected provincial harvest volume for the year.*

Regional Indicators:	2014/15 Target	2014/15 Performance	
Coast	**18.3%**	**19.7%**	**Over Achieved**
Interior	**23.5**	**22.7%**	**Substantially Achieved**

ECONOMIC PROSPERITY – Market Pricing

- **Through competitive auctions sell sufficient timber to support the Market Pricing System.**

Corporate Performance Measure:	2014/15 Target	2014/15 Achievement	
Timber Volume Sold	13.3 Mm3	13.1 Mm3	Substantially Achieved

Measure Description: *Timber volume sold is an indicator of BC Timber Sales' success in providing sufficient timber volume to the market in support of the Market Pricing System.*

- **Implement a Data Quality Management System to ensure BC Timber Sales data is complete, accurate, reliable and verifiable.**

Corporate Performance Measure:	2014/15 Target	2014/15 Achievement	
Implementation of Data Quality Management System (DQMS)	DQMS applied to all Performance Metric data with Action Plan developed for identified weaknesses	DQMS was applied with Action Plan developed	Achieved

Measure Description: *A Data Quality Management System will provide assurance that BCTS has the systems and processes in place to endure its data is complete, accurate, reliable and verifiable.*

BC Timber Sales achieved the implementation of the Data Quality Management system (DQMS). The system has increased the accuracy of the reported annual data such as Annual Developed Volume, Referrals Complete – Development Ready volumes and silviculture liabilities at fiscal year-end. The DQMS identified $4.4M in previously un-identified silviculture obligations and is improving data quality for all inventories in Business Areas

- **Monitor BCTS timber volume sold by major MPS attributes such as species and grade compare to the harvest patterns of the Major Licensees to ensure representative benchmark data and make adjustments as required.**

Corporate Performance Measure:	2014/15 Target	2014/15 Performance	
The percent BCTS volume harvested is within 5 percentage points of the percent of harvest volume by major licensees for each major species and grade	80% 80%	Coast 91% Interior 85%	Achieved Achieved

Measure Description: *BCTS volume harvested by major species and grade attribute as a percent of total BCTS volume harvested compared to the volume harvested by the Major Licensees by the same attribute as a percent of their total harvest volume. BCTS volume percentage is within +/-5 percentage points of the Major Licensees 80% of the time.*

Objective 1:

Sell the full BC Timber Sales' apportionment over the business cycle, consistent with safe practices & sustainable forest management.

Providing a reliable, competitive supply of fibre to the market is a significant objective of the Forest Sector Strategy. This supports the creation of a globally competitive, market-based operating climate and supports prosperous rural forest economies. Achievement of this objective also directly contributes to the Ministry goal of a "productive, thriving natural resource sector and resilient communities."

Since 2003, BC Timber Sales has sold over 128 million cubic metres of timber though competitive auctions in rural economies. The development, auction, harvesting and processing of this timber has helped create and sustain over 8,000 direct and 11,000 indirect jobs and supported families and rural communities over the last twelve years.

Results

Key Performance Indicator:	2014/15 Target	2014/15 Performance	
Percent of total apportioned timber volume sold over the Business Cycle	17%	21.5%	Over Achieved

Indicator Description: *The business cycle is defined as 5 years starting April1, 2014 and ending March 31, 2019. The indicator is the cumulative timber volume sold/total BCTS rationalised apportionment for 5 years.*

ECONOMIC PROSPERITY - Selling the Apportionment

Corporate Performance Measure:	2014/15 Target	2014/15 Performance	
Timber Volume Sold (millions of cubic metres)	13.3Mm3	13.1Mm3	Substantially Achieved

Measure Description: *Timber volume sold is an indicator of BC Timber Sales' success in analyzing market conditions and providing a reliable supply of timber to the market that our customers see as economically viable.*

Regional Performance Targets:	2014/15 Target	2014/15 Performance	
Coast	2.5Mm3	2.4Mm3	Substantially Achieved
North Interior	5.5Mm3	5.6Mm3	Over Achieved
South Interior	5.3Mm3	5.1Mm3	Substantially Achieved

Eight of 12 Business Areas achieved or substantially achieved their sales targets for the year. A lack of market demand where TSLs were offered but received no bids and operational delays prevented the remaining Business Areas from achieving their sales targets.

ECONOMIC PROSPERITY - Selling the Apportionment

- **Develop sufficient timber to maximise timber volume offered and sold.**

Corporate Performance Measure	2014/15 Target	2014/15 Performance	
Annual Timber Volume Developed	13.7Mm3	11.3Mm3	Under Achieved

Measure Description: *Timber volume developed is the annual amount of timber developed and ready for advertising and auction.*

Regional Performance Targets:	2014/15 Target	2014/15 Performance	
Coast	2.6Mm3	2.2Mm3	Under Achieved
Northern Interior	5.9Mm3	4.2Mm3	Under Achieved
Southern Interior	5.2Mm3	4.9Mm3	Under Achieved

Five of the 12 Business Areas achieved or exceeded their production targets. A lack of resources, combined with the impacts of extreme fire season, and the Tsilhqot'in Nation Supreme Court decision significantly impacted production during the year. Overall production fell short by 2.4 million cubic metres. This will adversely impact the sufficiency of timber in ready to sell inventory needed to maximise timber volume offered and sold in fiscal 2015/16.

ECONOMIC PROSPERITY - Selling the Apportionment

- **Plan sufficient Ready to Develop Volume to support the achievement of the next year's annual timber volume developed targets.**

Corporate Performance Measure	2014/15 Target	2014/15 Performance	
Ready to Develop Volume (RCDR)	14.0Mm3	14.5Mm3	Over Achieved

Measure Description: *Ready to develop volume is the amount of timber volume planned where referrals are complete and they are development ready.*

Regional Performance Targets:	2014/15 Target	2014/15 Performance	
Coast	3.2Mm3	2.4Mm3	Under Achieved
Northern Interior	5.7Mm3	7.9Mm3	Over Achieved
Southern Interior	5.1Mm3	4.2Mm3	Under Achieved

- **Identify sufficient timber volume for future development.**

Corporate Performance Measure	2014/15 Target	2014/15 Performance	
Amount of Volume Identified for Future Harvest	5 Year	3.2 Years	Under Achieved

Measure Description: *Volume identified for development is 5 years of planned volume sold identified and field checked.*

Again, a lack of resources, combined with the impacts of fire season, and the Tsilhqot'in Nation Supreme Court decision significantly impacted planning production during the year. This underachievement may adversely impact the sufficiency of timber ready for development needed to maximise timber volume offered and sold in future fiscal years.

ECONOMIC PROSPERITY - Selling the Apportionment

- **Auction a reliable supply of timber to the market.**

		Number of Business Areas That:		
Quarter	**Performance**	**Achieved Target 90 to 110**		**Did not achieve Target <90 or >110**
1 - April.- June	68%	6		6
2 – July – Sept.	70%	3		9
3 – Oct – Dec	84%	4		8
4 – Jan - March	193%	2		10

Measure Description: *The percent of total timber volume advertised in the quarter planned as set out in annual Business Area sales plans.*

The percent of timber volume advertised in the quarter planned is an indicator of reliablity of supply. This measure is also an indicator of the reliability of BC Timber Sales' sales schedules. At the end of the fiscal year, BC Timber Sales advertised 193% of its planned sales with only 2 of the 12 business areas achieving their planned volumes. Delays earlier in the year necessitated the sale of additional timber in the forth quarter to achieve the volume sold target for the year deemed a higher priority.

ECONOMIC PROSPERITY - Generating Revenue

Objective 2:

Generate direct net revenue and indirect revenue for the Province over the business cycle.

This objective supports the Provincial Government and the Ministry as major contributors to the current and future economic health of the Province. It also directly contributes to the Ministry's objective to, "generate revenue from B.C.'s natural resources." BC Timber Sales operates under a self financing Special Account and must over the long term, generate sufficient revenue to finance its cash requirements (i.e. earn a profit).

Results

Corporate Performance Measure	2014/15 Target	2014/15 Performance	
Net Revenue (Millions)	$53.2 M	$90.9 M	Over Achieved

Measure Description: *Net revenue is a key indicator of the success of BC Timber Sales in generating value and revenue return for the province and being self-sustaining. The measure is calculated as gross revenue less capitalized expenses.*

Key Performance Indicator	2014/15 Target	2014/15 Performance	
Indirect Revenue Generated	$26.8 M	$24 M	Under Achieved

Measure Description: *Indirect Revenue Generated is a key indicator of the success of BC Timber Sales in generating a return on the sale of Crown assets for the province. Indirect revenue is the non-stumpage revenue generated for the province form the harvest of crown timber.*

Although projected harvest volumes during the year were not realized adversely impacting Indirect Revenues, BC Timber Sales exceeded its Net Revenue target for the year by $37.7 million or 71%. This overachievement was largely based on increasing demand and the higher prices received from the timber that was harvested during the year. The average price paid for BC Timber Sales timber during the year was $22.76 per cubic metre. This represents a $2.78 per cubic metre or 17% increase over the prior year.

ECONOMIC PROSPERITY - Generating Revenue

- **Actively Manage the Costs of Developed Timber**

Corporate Performance Measure	2014/15 Target	2014/15 Performance	
Cost of Developed Timber per m3	$4.82/m3	$5.72/m3	Under Achieved

Measure Description: *The cost of developed timber is the future cost of goods sold and represents the cost of BCTS inventory.*

- **Actively manage the Costs of Access.**

Corporate Performance Measure	2014/15 Target	2014/15 Performance	
Cost of Access per m3 Sold	$2.78/m3	$2.80/m3	Achieved

Measure Description: *Access costs are road and bridge amortization plus annual maintenance divided by the volume of timber sold. This represents the cost of access infrastructure.*

- **Actively Manage the Costs of Silviculture Obligations.**

Corporate Performance Measure	2014/15 Target	2014/15 Performance	
Cost per Hectare of Reforesting Harvested Areas	TBD	TBD	N/A

Measure Description: *Cost per hectare is the average total cost to free growing per hectare.*

Increased constraints on the timber supply, increased operational issues and the increasing remoteness of the timber combined to increase the costs of development. A target and methodology for determining the average total cost to free growing per hectare was not established during the year.

EXCELLENCE - Continuous Improvement

Objective 3:
Continuous Business Improvement.

BC Timber Sales needs to be continuously improving in order to effectively realize its vision, achieve its mission and goal, deliver superior performance, and make a distinct and lasting impact.

"Only those with Excellent Processes and Excellent People will truly excel"

To achieve this objective BC Timber Sales and its people are committed to continuously learn, innovate, and lead themselves through change in the pursuit of excellence. BC Timber Sales has embraced a **Lean** culture shift to support continuous improvement. Lean is not just a set of tools or a waste reduction methodology. It is a philosophy that strives for everyday excellence by streamlining processes, empowering people, and supporting problem solving. BC Timber Sales has three key strategies supporting this objective:

- Business Partnerships and Agreements,
- Excellence in people; and,
- Excellence in operations, practices, and processes

"The real goal of Lean is excellence, which means creating a flexible, adaptable learning organization of people and processes that can achieve ever more challenging business goals."

- JK Liker/JK Franz

People are the key to any successful implementation of Lean. People improve processes and develop products. In the Lean philosophy, those doing the work take responsibility for doing it better. Most Lean activities are not sustained because they fail to build the capability for Lean within the organization. In BC Timber Sales we are not implementing "Lean solutions" we are developing people to achieve challenging goals through a clearly defined improvement process. BC Timber Sales is focussing on developing internal expertise in order to properly implement Lean.

EXCELLENCE - Continuous Improvement

Results

Corporate Performance Measure	2014/15 Target	2014/15 Performance	
Number of Tasks (Waste) Eliminated from Processes	500	240	Under Achieved

Measure Description: *Number of tasks eliminated is a key indicator of the success of BC Timber Sales in continuously improving it operations & increasing value. Wastes identified through Lean activities are tasks that do not add value to business processes.*

The total waste tasks eliminated were less than projected as BC Timber Sales shifted emphasis to focus on standardizing work between Business Areas.

- **Increase efforts to achieve business to business partnerships and agreements with customers and/or third parties such as First Nations and communities.**

Corporate Performance Measure	2014/15 Target	2014/15 Performance	
Incremental timber volume sold, managed under a business to business agreement	150,000m3	61,097m3	Not Achieved

Measure Description: *Incremental timber volume sold managed under a business to business agreement is a measure of the success of BC Timber Sales in increasing business to business partnerships and agreements. Incremental volume means volume that was not already part of BCTS apportionment.*

Constrained resources and changing operational conditions contributed to underachievement in this area throughout the year

- **Pursue excellence in people.**

Though out the year BC Timber Sales continued to develop a new corporate approach for attracting capable and talented people to entry level positons. Building on the work of the Recruitment, Engagement and Succession planning project team, the Forest Technical Entry Level Program (FTELP) was initiated. Year 1 of the FTELP will see BC Timber Sales source, attract, and hire recent forestry graduates to participate in a new 2 year developmental program starting in June 2016.

EXCELLENCE - Continuous Improvement

BC Timber Sales focused on strategic people priorities including enhancing leadership development and team effectiveness. The BC Timber Sales People Practices Working Group was re-established to address priorities identified in the corporate Work Engagement Survey. The priorities included improving the organization's staffing practices, recognition, supervisory and executive level management. Specific actions this year included mandatory staffing practices training for hiring managers and the development of a BCTS Supervisor Community of Practice. .

- **Pursue excellence in operations, practices and processes.**

Corporate Performance Measure	2014/15 Target	2014/15 Performance	
Number of Continuous Improvement – Lean Projects Undertaken	**26**	**34**	**Over Achieved**

Measure Description: *Number of continuous – Lean projects undertaken is a measure of our success pursuing excellence in operations, practices and processes*

BC Timber Sales undertook 8 more Lean projects than planned during the year. Increased capacity to complete lean projects was due to the implementation of additional Lean champions in each Business Area. BC Timber Sales has trained 13% of staff to the practitioner level, and continues to set high targets to develop internal capacity.

SUSTAINABLE FOREST MANAGEMENT

Principle 1:
Sustainable Forest Management.

High-quality forest and environmental management practices are integral to the BC Timber Sales mandate. Sustainable forest management affects the way we conduct business and allows BC Timber Sales to provide sustainable forest benefits to British Columbians.

Results

- **Maintain ISO 14001 Environmental Management System, Sustainable Forest Management (SFM) standard, (CSA, FSC, SFI certifications).**

Corporate Performance Measure	2014/15 Target	2014/15 Performance	
Percent of timber volume certified under a SFM system	100%	100%	Achieved

Measure Description: *Percent of BC Timber Sales Business Areas with SFM certification, such as Canadian Standards Association (CSA), Sustainable Forestry Initiative (SFI), or Forest Stewardship Council (FSC). This measure is an indicator of BC Timber Sales' success in demonstrating and being recognized for having sound forest management practices.*

BC Timber Sales continued to maintain 100% of its apportioned timber volume certified to one of the three major forest certification standards. BC Timber Sales percentage certification by standard is currently: 80% SFI, 19% CSA, and 1% FSC

SUSTAINABLE FOREST MANAGEMENT

- Deliver on stewardship obligations

Corporate Performance Measure	2014/15 Target	2014/15 Performance	
Number of EMS/SFM external audit major non-conformances	Zero	Zero	Achieved
Number of Trees Planted	36.1 M	36.3 M	Achieved
Km of Road Deactivated	295 km	210 km	Under Achieved

During the year BC Timber Sales continued to regularly conduct internal audits of our operations. BC Timber Sales used the findings from these audits to continuously improve practices. We also ensured all our silviculture obligations and industrial road deactivation obligations were recognised and effectively discharged.

BC Timber Sales experienced less than two minor non-conformances per Business Area during the year. All non-conformances have action plans in place and are being actively addressed. To address its silviculture and road deactivation obligations, BC Timber Sales planted 36.3 million seedlings and deactivated 210 km of road during the year. Changing sales plans impacted the need for access and when roads were deactivated.

Through our Seedling Services program we ensured a secure supply of seeds for future BC Timber Sales' needs as well as an effective and reliable supply of quality seedlings to meet our obligations. Seedling Services acquired 367 kilograms of seed and provided 35.2 million seedlings for our obligations in fiscal 2014/15.

SUSTAINABLE FOREST MANAGEMENT

- **Use our economies of scale and expertise to deliver Silviculture services and provide quality seedlings for the Forests for Tomorrow program in support of productive future forests.**

Corporate Performance Measure	2014/15 Business Plan	2014/15 Performance	
Hectares of Ministry NSR planted by BCTS	8,600 ha	7,432 ha	Under Achieved
Number of Trees Planted	14.2 M	13.1 M	Under Achieved
Seedlings Grown	24.2 M	26.2 M	Achieved
Fish Passage – Crossings Remediated	11	3	Under Achieved

BC Timber Sales continued to collaborate with Forests for Tomorrow (FFT) to use BC Timber Sales skills, infrastructure, and economies of scale to reduce costs and increase the outputs FFT can achieve from available funding. The FFT budget allocation to BC Timber Sales was decreased from 8,476 hectares to 7,432 hectares over the year subsequent to the targets being set. In total 12 percent of the final FFT planting outputs were delivered by BC Timber Sales.

BC Timber Sales' Seedling Services provided 26.2 million seedlings for the Forests for Tomorrow program and delivered 3.2 M seedling for the Districts during the year.

BC Timber Sales also delivered:

- 40,314 hectares of surveys, 1,703 hectares of site preparation, and 268 hectares of brushing for FFT; and,
- 32 watershed assessments for fish passage for the Land Base Investment Program.

Principle 2:
Forest Sector Safety.

BC Timber Sales Safety Policy:

BC Timber Sales Safety Policy:

- **BCTS is committed to maintaining an organisational culture where all staff proactively participate to ensure a safe and healthy workplace as a fundamental component of everyday business.**
- **BCTS supervisory personnel will be accountable for ensuring employees are properly trained for their jobs, making employees aware of safety hazards, ensuring unsafe action or conduct is not tolerated in the workplace, and endorsing sound health and safety work practices on a daily basis.**
- **BCTS workers will be accountable for conducting their work activities in accordance with sound health and safety practices and will endorse these practices to their fellow workers.**

Results

- BC Timber Sales safe practises supported by maintaining SAFE Company Certification.

Corporate Performance Measure	2014/15 Target	2014/15 Performance	
Maintaining Safe company certification	100%	100%	Achieved

Measure Description: Maintaining Safe company certification

SAFETY

- **Promote safe worksites by requiring all parties working on Timber Sales Licences or bidding on BCTS contracts that involve on the ground field work to be SAFE Certified.**

Corporate Performance Measure	2014/15 Target	2014/15 Performance	
% of parties working on TSLs & contracts that involve on the ground field work that are SAFE Certified.	**100%**	**100%**	**Achieved**

Measure Description: Requiring all parties working on TSLs or contracts that involve on the ground field work to be SAFE Certified is a measure of BCTS success in supporting and promoting safe worksites.

BC Timber Sales continued to maintain its SAFE Company Certification and collaborate with industry through the BC Forest Safety Council to promote the achievement of safe and healthy workplaces within the forest sector. BC Timber Sales completed an internal review of all reported safety issues for the four year period ending March 31st, 2014. The purpose of the review was to identify any trends that may exist and develop recommended actions. BC Timber Sales has also reviewed our Safe Work Procedures and has shared the updated procedures so that they may be included in the Safety Management System for the Natural Resource Sector.

APPENDIX 1 Financial Results– 2014/15 Income Statement

		2013/14 (millions)		2014/15 (millions)
GROSS REVENUE		**$233.8**		**$253.8**
CAPITALIZED EXPENSES				
Cost of Timber Inventory Harvested				
Administration/Salaries	$32.2		$29.1	
Planning and Sales	$25.5		$29.1	
Access - Amortization	$28.9		$27.6	
Sub – total Cost of Timber Inventory Harvested		**($86.6)**		**($85.8)**
Period Costs				
Silviculture Liability Expense	$38.9		$44.0	
Road and Bridge Maintenance	$7.3		$9.3	
Harvest Conformance	$0.5		$0.4	
Administrative Overhead	$24.8		$25.0	
Recoveries	($1.5)		($1.6)	
Sub- total Period Costs		**($70.0)**		**($77.1)**
Prior period expenses over-accrual		$0.2		$0.1
NET REVENUE		**$77.4**		**$91.0**

APPENDIX 1 Financial Results– Selected Balance Sheet Items

		2013/14 (millions)		2014/15 (millions)
Silviculture Liability		**($100.3)**		**($109.1)**
Inventory Value of Developed Timber				
Timber Inventory – Opening Balance	$122.5		$124.9	
Timber Developed	$60.1		$64.5	
Timber Available for Sale	$182.6		$189.4	
Cost of Timber Inventory Harvested	($57.7)		($58.2)	
Timber Inventory – Closing Balance		**$124.9**		**$131.2**
Roads				
Book Value	$720.3		$744.7	
Accumulated Amortization	($466.4)		($494.0)	
Net Book Value		**$253.9**		**$250.7**
Deactivation Liability		**$7.5**		**$7.0**
Seed Inventory		**$22.0**		**$21.8**

APPENDIX 2 Resource Summary Results– 2014/15

	2014/15 Plan	2014/15 Actual	Variance
Special Account Opening Balance ($millions)	**$213.1**	**$213.1**	
Gross Revenue	$209.0	$253.8	$44.8
Less: Expenses (Capitalised)	(155.8)	(162.9)	(7.1)
Net Revenue (Loss)	**$53.2**	**$90.9**	**$37.7**
Financing Transactions ($millions)			
Cost of Developed Timber Inventory	$64.7	$64.7	$0
Fish Habitat Inventory	0.3	0.3	0
Seed Inventory	2.5	0.8	1.7
Total Financing Transactions	**$67.5**	**$65.8**	**$1.7**
Capital Expenditures ($millions)			
Capital - Roads	$29.2	$24.0	($5.2)
Capital – Non- Roads	0.5	0.4	(0.2)
Total Capital Budget	**$29.7**	**$24.4**	**($5.3)**
Special Account Ending Balance ($millions)	**$231.6**	**$265.7**	**$34.1**
Cash Expenditures ($millions)			
Administration	$12.9	$13.9	($1.0)
Salaries	45.6	41.5	4.1
Planning	4.4	4.7	(0.3)
Sales	33.7	34.1	(0.4)
Access	31.3	30.1	1.2
Silviculture	35.5	35.0	0.5
Land Base Investment - Expenditures	12.3	12.8	0.4
Land Base Investment - Recoveries	(13.4)	(14.5)	(1.1)
Total Cash Expenditures	**$162.3**	**$157.6**	**$4.7**
Non-Cash Budgets ($millions)			
Amortization – Roads	$28.2	$27.6	$0.6
Amortization – Non roads	0.5	0.4	0.1
Silviculture Liability Expense	36.0	44.0	(8.0)
Cost of timber inventory harvested	57.9	58.2	(0.3)
Timber Volume Outputs (Mm3)			
Volume Advertised (Offered)	14.9	14.1	0.8
Volume Sold	13.3	13.1	0.2
Volume Developed	13.7	11.3	2.4
Volume Scaled (Harvested)	11.7	10.4	1.3
Apportionment Volume	14.2	14.2	0

APPENDIX 3 – HISTORICAL RESOURCE AND PERFORMANCE SUMMARY

	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual
Operating Revenues and Expenses ($millions)												
Gross Revenue	$185.7	$266.1	$273.7	$273.7	$243.8	$145.9	$117.0	$133.6	$136.6	$175.1	$233.9	$253.8
Less: Expenses (Capitalized)	(84.7)	(115.9)	(148.9)	(178.0)	(197.8)	(168.8)	(172.4)	(149.1)	(135.3)	(150.6)	(151.2)	($162.9)
Net Revenue (prior to EOI)	$101.0	$150.2	$124.8	122.4	$46.0	($22.9)	($55.4)	($15.5)	$1.3	$24.5	$77.3	$90.9
Less Extraordinary Item (note 1)					(115.6)					$0.3		
Net Revenue (Loss)	$101.0	$150.2	$124.8	$122.4	($66.6)	($22.9)	($55.4)	($15.5)	$1.3	$24.8	$77.3	$90.9
Annual Cash Working Capital Expenditures by Activity ($millions)												
Administration & Overhead	$15.2	$19.7	$19.9	$22.7	$31.9	$31.5	$25.4	$11.4	$12.7	$28.9	$12.2	$13.9
Salaries	33.6	39.3	44.5	46.1	45.1	45.6	46.3	42.7	41.1	40.9	41.3	41.5
Planning	-	13.7	8.1	7.3	6.7	5.7	3.3	2.6	3.0	3.3	3.8	4.7
Sales	23.6	30.4	33.6	27.7	30.3	30.9	22.4	16.9	17.9	22.3	32.0	34.1
Access	27.9	40.0	53.1	46.3	44.1	45.4	27.3	18.0	20.4	21.4	27.3	30.1
Silviculture	35.8	39.1	41.9	51.1	60.1	59.8	42.2	30.9	30.8	31.9	32.4	35.0
Forest Investment Account – LBIP	-	-	-	$2.3	3.0	5.5	1.8	(0.2)	(0.4)	(1.2)	(1.5)	(1.7)
Total Working Capital Expenditures	$136.1	$182.2	$201.1	$203.5	$221.2	$224.4	$168.7	$121.3	$125.5	$129.8	$147.5	$157.6
Capital IM/IT and Equipment	$0.7	($0.4)	$0.2	$0.4	$0.4	$0.4	$0.4	$0.1	$0.3	$0.3	$0.2	$0.4
Capital Road Construction	$29.3	$39.7	$51.8	$45.4	$49.2	$44.5	$22.5	$16.9	$29.5	$29.7	$29.0	$29.2
Total Capital Expenditures	$30.0	$39.3	$52.0	$45.8	$49.6	$44.9	$22.9	$17.0	$29.8	$30.0	$29.2	$29.3
TIMBER VOLUME OUTPUTS (millions of cubic metres)												
Volume Advertised (Mm^3)	11.7	11.4	14.6	15.2	14.6	16.3	14.7	13.9	13.4	12.5	13.0	14.1
Volume Sold (Mm^3)	9.6	9.9	12.6	13.5	11.7	11.4	10.6	11.3	11.1	10.5	11.4	13.1
Volume Developed (Mm^3)	12.6	15.4	17.7	16.3	14.9	14.2	11.6	8.9	8.8	10.9	12.1	11.3
Volume Scaled (Mm^3)	7.9	10.0	12.9	13.45	13.2	10.0	11.4	10.8	9.4	10.0	11.0	10.4
UNIT COSTS ($/m3)												
Total Capital Costs/m^3 Harvested	$10.72	$11.59	$11.54	$13.06	$14.98	$16.88	$15.12	$13.81	$14.39	$16.82	$20.33	$16.10
Silviculture Costs/m^3 Harvested	$4.56	$3.93	$3.24	$4.20	$4.55	$5.98	$3.70	$2.86	$3.28	$3.19	$2.95	$2.80

APPENDIX 4 – GLOSSARY

Bid Price – The price per cubic metre of timber bid by customers during auctions of Section 20 Timber Sale Licences.

Billed Rate – The average revenue obtained per cubic metre of timber harvested and scaled.

Capitalized Expenses – The total costs associated with developing and selling the timber harvested in the year, post-sale activities such as harvest conformance; post-harvest activities such as silviculture; and period costs such as administrative overhead and road maintenance.

Cash Expenditures – The costs of developing and selling timber inventory for future harvest plus, post-harvest activities such as silviculture, and period costs such as administrative overhead and road maintenance.

Certification – Forest certification is a voluntary tool available to forestry organizations who want to demonstrate corporate responsibility by having their forest management planning and practices independently certified against a sustainable forest management standard that goes beyond regulatory requirements and takes environmental, economic and social values into consideration.

Cruise Based Timber Sale - A competitively auctioned timber sale where the price is a single total price based on the cruise data for the timber sale rather than a price per cubic metre of timber scaled.

Customers – Individuals and/or companies that are registered in the program and others that are not registrants, but rely on BC Timber Sales' timber as an input to production.

Full-time Equivalent (FTE) – The equivalent of one person working 1,827 hours in one year.

Goals – Goals are the ends that BC Timber Sales wants to achieve in fulfilling its mandate and mission. Goals are long-range outcomes that guide an organization's efforts in moving towards a desired future state.

Gross Revenue – The sum of all BC Timber Sales revenue collected from stumpage and annual fees and billings (annual rent, trespass charges, scaling fees and registration fees) incidental to the operation of the program and sale of logs.

Inputs – The resources used by the organization to produce its outputs. The key inputs of BC Timber Sales are its employees, public forests, and the organization's financial, contracted and partnership resources.

Key Outcome Indicators – Key outcome indicators represent key results related to an organization's goals, which often are not directly attributable to its business activities.

Lump Sum Timber Sale Licence – A competitively auctioned timber sale where the price is a single total price rather than a price per cubic metre of timber scaled.

Market Pricing System – The system used in British Columbia to determine the price of Crown timber for major forest tenures, based on market value and cost data from BC Timber Sales.

Mission – Describes the reason for BC Timber Sales' existence. It defines what BC Timber Sales does, why it does it and for whom.

Net Revenue – The remainder of Gross Revenues less Capitalized Expenses.

Objective – A broad time-phased accomplishment required to realize the successful completion of a strategic goal. Objectives are specific statements about desired business results.

APPENDIX 4 – GLOSSARY

Outcomes – Long-term results of the activities and outputs of the organization. Logic models are used to link outcomes to business activities.

Outputs – The deliverables or products produced by the organization. The key outputs of BC Timber Sales are the volumes developed, offered, sold and harvested (scaled).

Performance Measures – Measurable factors of significant importance to the organization in achieving the strategic goals and objectives. A performance measure is a quantified, time specific measure used to indicate the degree of success the Ministry has in achieving its goals, objectives and strategies.

Strategies – The activities that, by their implementation, will lead to the achievement of an objective.

Targets – Performance targets express pre-set quantifiable performance levels to be attained at a future date.

Upset Price – The starting price for auction bidding on timber sales.

Values – An expression of BC Timber Sales' core principles and fundamental beliefs that inform the organization's management style, organizational principles and rules of personal and organizational behaviour.

Vision – A clear, concise and compelling picture of the organization's preferred future.

Volume Advertised – The timber volume advertised for auction by BC Timber Sales.

Volume Developed – The volume of timber developed as inventory for sale by BC Timber Sales.

Volume Managed – The total volume of timber being managed by BC Timber Sales. In addition to Section 20 Auction Timber Sale Licences, this includes volumes associated with legacy tenure types awarded by the Small Business Forest Enterprise Program that are still being managed by BC Timber Sales (e.g. Section 21 Bid Proposal Sales and Non-replaceable Forest Licences).

Volume Offered – The timber volume offered for sale to customers.

Volume Scaled – The volume of timber harvested by BC Timber Sales licensees.

Volume Sold – The volume of timber sold to BC Timber Sales' customers.